



COM/GSH/smt 2/9/2021

**FILED**  
02/09/21  
10:02 AM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking  
Regarding Microgrids Pursuant to  
Senate Bill 1339 and Resiliency  
Strategies.

Rulemaking 19-09-009

**ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO  
AND RULING FOR TRACK 3**

This Amended Scoping Memo and Ruling sets forth the category, issues to be addressed, schedule, and other of this proceeding pursuant to Public Utilities Code Section 1701.1. and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

**1. Procedural Background**

In September 2019, the California Public Utilities Commission (Commission) ordered this rulemaking<sup>1</sup> to commercialize microgrids and adopt resiliency strategies pursuant to Senate Bill (SB) 1339 (Stern, 2018). SB 1339 requires the Commission, in consultation with the California Energy Commission (CEC), and the California Independent System Operator, by December 1, 2020, to take specific actions to facilitate the commercialization of microgrids for distribution customers of large electrical corporations. Components of microgrid commercialization are determined by SB 1339, and must include: (1) rates, tariffs, and rules, as necessary; that (2) remove barriers for deploying microgrids across the large investor-owned utility service territories;

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<sup>1</sup> Order Instituting Rulemaking Regarding Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies, September 12, 2019.

without (3) shifting costs onto non-benefiting customers; and (4) prioritizing and ensuring worker, public, and the electric system's safety and reliability.

In response to SB 1339's mandates and statutory deadline, the Commission issued two landmark decisions commercializing microgrids prior to the December 2020 deadline: (1) Decision (D.) 20-06-017; and (2) D. 21-01-018.

### **1.1. Track 1**

Track 1 of this proceeding initially began in December 2019, with an Energy Division workshop.<sup>2</sup> This workshop facilitated discussion between stakeholders, focusing on short-term actions related to microgrids and resiliency strategies for Summer 2020 implementation. Following this workshop, the Track 1 Scoping Memo and Ruling was issued on December 20, 2019.<sup>3</sup>

Since the issuance of the Track 1 Scoping Memo and Ruling, much activity occurred in this proceeding. This includes, but is not limited to, the following: (1) the issuance of a Track 1 Energy Division Staff Proposal; (2) the submittal of Track 1 large electrical corporation investor-owned utility (IOU) resiliency proposals for the 2020 wildfire season; and (3) the adoption of D.20-06-017, that promulgated an array of rules to accelerate microgrid deployment pursuant to SB 1339 and resiliency solutions.

Well in advance of the December 1, 2020 statutory deadline of SB 1339, D.20-16-017 satisfied many of SB 1339's requirements by implementing the following:

1. Permitting Requirements 8371, subdivision (a)
  - a) Required the development of template-based application process for specific behind-the-meter project

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<sup>2</sup> December 4, 2019 Administrative Law Judge's Ruling (ALJ) Noticing Microgrid Workshop.

<sup>3</sup> Assigned Commissioner's Scoping Memo and Ruling, December 20, 2019.

types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.

2. Barrier Reduction 8371, subdivision (b)

- a) Required the development of template-based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.
- b) Added dedicated staff to the utilities distribution planning teams that specialize in resiliency project development for local jurisdiction.
- c) Allowed energy storage systems, in advance of Public Safety Power Shutoff (PSPS) events, to import from – but not export to – the grid, in support of preparedness in advance of a grid outage.
- d) Removed the storage sizing limit for large net energy metering (NEM)-paired storage and maintained existing metering requirements.
- e) Required the development of a separate access-restricted portal for local jurisdictions that gives information to support local community resiliency projects.
- f) Approved the Pacific Gas and Electric’s (PG&E) Community Enablement Program which provides incremental technical and financial support on a prioritized basis for community requested microgrids for PSPS mitigation purposes.
- g) Approved PG&E’s Make-Ready Program for the period of 2020 through 2022 which includes enabling each of the prioritized substations to operate in islanded mode.
- h) Approved PG&E’s Temporary Generation Program which involves leasing mobile generators for temporary use during the 2020 wildfire season.
- i) Approved San Diego Gas & Electric’s (SDG&E) request to procure a local area distribution controller.

3. Rates and Tariffs 8371(d)
  - a) Allowed energy storage systems, in advance of PSPS events, to import from – but not export to – the grid in support of preparedness in advance of a grid outage.
  - b) Removed the storage sizing limit for large NEM-paired storage and maintained existing metering requirements.
4. Standards and Protocols 8371(e)
  - a) Developed template - based application process for specific behind-the-meter project types to prioritize, streamline, and expedite applications and approvals for key resiliency projects.
  - b) Approved SDG&E's request to procure a local area distribution controller.

## **1.2. Track 2**

After the adoption of D.20-06-017 in June 2020, the Track 2 Amended Scoping Memo and Ruling was issued on July 3, 2020.<sup>4</sup> This amended Scoping Memo and Ruling focused on the continued implementation of SB 1339.

On July 23, 2020, the assigned ALJ issued a ruling<sup>5</sup> with a proposal prepared by the Energy Division, titled, *Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339* (Staff Proposal). Parties to this proceeding attended a workshop to discuss the Staff Proposal. Following the workshop, parties submitted comments in response to the Staff Proposal.

On August 25, 2020, Energy Division held an all-day online public workshop discussing the challenges and demands associated with energizing safe-to-energize substations during PSPS events. Officials from the Commission as well as the California Air Resources Board (CARB) and the CEC were present. On September 4, 2020, following the Energy Division workshop, the assigned

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<sup>4</sup> Assigned Commissioner's Amended Scoping Memo and Ruling, July 3, 2020.

<sup>5</sup> ALJs Ruling, July 23, 2020.

Commissioner and ALJ issued a ruling<sup>6</sup> seeking comment on policy questions and proposed an interim approach for minimizing emissions from generation during transmission outages. The interim approach for minimizing emissions generation during transmission outages proposed a process for transition to clean temporary generation in 2022 and beyond.

On January 21, 2021, the Commission issued D.21-01-018 that adopts rates, tariffs, and rules for facilitating the commercialization of microgrids pursuant to Senate Bill 1339. This decision continues the Commission's goal of commercializing microgrids and reduces barriers for microgrid deployment across California. D.21-01-018 also adopts an interim approach for minimizing emissions from generation during transmission outages and a process for transitioning to clean temporary generation in 2022 and beyond.

Specifically, D.21-01-018 orders the following primary actions from the state's large investor-owned utilities:

1. Southern California Edison Company (SCE) to revise its Rule 2 to permit installing added or special facilities microgrids.
2. SCE and PG&E to revise their Rules 18 and SDG&E to revise its Rule 19, to allow local government microgrids to service critical customers on adjacent parcels.
3. SCE, PG&E, and San Diego Gas & Electric Company SDG&E to each create a renewable microgrid tariff that prevents cost shifting for their territories.
4. SCE, PG&E, and SDG&E to jointly develop a statewide Microgrid Incentive Program with a \$200 million budget to fund clean energy microgrids to support the critical needs

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<sup>6</sup> Assigned Commissioner and ALJ's Ruling Seeking Comment on Policy Questions and an Interim Approach for Minimizing Emissions from Generation During Transmission Outages, September 4, 2020.

of vulnerable communities impacted by grid outages and test new technologies or regulatory approaches to inform future action.

5. SCE, PG&E, and SDG&E to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods to evaluate safety and reliability.

D.21-01-018 also formalizes the creation of a Resiliency and Microgrids Working Group to facilitate thoughtful and informed discussions to continue to support the goal of resiliency and the commercialization of microgrids within Track 3 and beyond, of this proceeding.

No less than a month from the adoption of D.21-01-018, this Track 3 Amended Scoping Memo and Ruling is issued to consider the topic below.

## **2. Standby Service Charges Context**

In Track 2 of this proceeding, many parties fervently advocated for microgrid exemption from cost-responsibility surcharges. This argument contravened SB 1339 prohibition against cost shifting.

For context, cost responsibility surcharges are the result of a well-litigated process in which the Commission has examined the costs associated with departing load, standby service, and new or incremental load service to determine the appropriate allocation of those costs to a customer to preserve cost-equity.

Illustratively, standby service charges are charged to customers to pay for the investor-owned utility's previously incurred long term investments to provide electricity and capacity on a standby basis because the investor-owned utility is the provider of last resort. Standby service also applies to customers whose electricity supplies come from facilities other than the investor-owned utility, if the generation source fails or is not available. The investor-owned utilities have a legal obligation to provide service continuity as a provider of last

resort. Thus, as the provider of last resort, the investor-owned utility incurs expenses such as procurement, resource adequacy, transmission and distribution capacity to be able to quickly provide such service.

Standby service is service paid for by customers whose load is: (a) regularly and completely provided by facilities not owned or operated by an investor-owned utility; or (b) who at times takes auxiliary service from another public utility; or (c) who requires the investor-owned utility to provide reserve capacity and to always stand ready to supply electricity on an irregular or noncontinuous basis.

For example, for microgrids that are behind the meter, the investor-owned utility has no control over the customer's choice to island itself as a microgrid. If a microgrid does not function as intended, the investor-owned utility must still provide capacity to serve the customer(s) and makes investments in the electric system to be ready to do so. The investor-owned utility must provide an adequate amount of backup power for customers who take service on a standby tariff, and that power requires investment in infrastructure. Standby charges ensure customers pay for the critical transmission and distribution infrastructure for the investor-owned utility to provide safe and reliable service.

### **3. Issues**

The issue for consideration is:

1. Whether the Commission should require PG&E, SCE, and SDG&E to waive standby charges for a customer operating a microgrid, regardless of fuel source, *so long as*: (1) waiving a standby charge will enable the microgrid customer to provide an incremental benefit to other customers; that is (2) *commensurate* with the magnitude of the otherwise applicable standby charges.

- a. Should the Commission limit the eligibility of microgrid resources for the standby charge waiver to ensure compliance with the State's air pollution and greenhouse gas emissions reduction requirements?
- b. Under what conditions should standby charges be waived or reduced?

**Attachment A:** Attached to this Scoping Memo and Ruling are questions, Attachment A, to develop the record. Answers to these questions will aid the Commission's ability to resolve and decide the above issues. Parties are directed to answer the questions by filing and serving comments according to the Schedule as stated in Section 5.

**Track 4:** Finally, we anticipate resolving the following topics in another Scoping Memo and Ruling for Track 4 of this proceeding: (1) multi-property tariffs and alternatives; (2) value of resiliency; (3) interconnection issues; and (4) single property tariff revisit.

#### **4. Need for Evidentiary Hearing**

There are no issues of material fact disputed. Accordingly, evidentiary hearing is not needed.

#### **5. Oral Argument**

Unless comment is waived pursuant to Rule 14.6(c)(2) for granting the uncontested relief requested, motion for oral argument shall be served and filed by no later than the time for filing comment on the proposed decision.

#### **6. Schedule**

The following schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of the Rulemaking:



| Event   | Date           |
|---|----------------|
| Opening Comments in Response to Scoping Memo & Ruling Questions, filed and served.<br>Comments shall not exceed 35 pages.     | March 3, 2021  |
| Reply Comments in Response to Scoping Memo & Ruling Questions, filed and served.<br>Reply Comments shall not exceed 25 pages. | March 10, 2021 |
| <i>Tentative Hold:</i> Opening Briefs, filed and served. <sup>7</sup>   | March 2021     |
| <i>Tentative Hold:</i> Reply Briefs, filed and served. <sup>8</sup>   | April 2021     |

This proceeding will conform to the statutory case management deadline for ratesetting matters set forth in Section 1701.5. It is the Commission's intention to resolve all relevant issues in this proceeding within 24 months of the date of this Scoping Memo. The Commission will make every effort to expedite the schedule for addressing all items within the scope of this proceeding.

The ALJ may revise the schedule when more information is available. The ALJ may modify the schedule or require more evidence or argument, as necessary.

In addition, there may be public workshops in this proceeding. Notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at those meetings or workshops. Parties should check the Daily Calendar regularly for such notices.

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<sup>7</sup> This is a tentative schedule hold. The ALJ may issue a ruling directing briefs should they become necessary.

<sup>8</sup> *Id.*

## **7. Category of Proceeding and Ex Parte Restrictions**

This ruling confirms the Commission's preliminary determination<sup>9</sup> that this is a ratesetting proceeding. Accordingly, ex parte communications are restricted and must be reported pursuant to Article 8 of the Rules.

## **8. Public Outreach**

Pursuant to Public Utilities Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and business that subscribe to it and posted on the Commission's website.

## **9. Intervenor Compensation**

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by March 11, 2021, 30 days after the issuance of this Amended Scoping Memo and Ruling.

## **10. Response to Public Comments**

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

## **11. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at

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<sup>9</sup> Order Instituting Rulemaking at 10.

<http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

## **12. Filing, Service, and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using **ONLY** electronic mail, transmitted no later than 5:00 p.m., on the date scheduled for service to occur to the ALJ. Parties ***must not send hard copies of documents to the ALJ*** unless specifically instructed to do so.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

## **13. Assignment of Proceeding**

Genevieve Shiroma is the assigned Commissioner and Colin Rizzo is the assigned ALJ.

**IT IS RULED** that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.
3. Evidentiary hearing is not needed.
4. The category of the proceeding is ratesetting.

This order is effective today.

Dated February 9, 2021, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma  
Assigned Commissioner